

THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

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VA MVDB REPORT:

VA Dealer Board Eyes Dealer Practices, Licensing

Dealer practices were a top agenda item as the Virginia Motor Vehicle Dealer Board and its committees met in July. The MVDB considered a number of cases involving payments of commissions to unlicensed salespersons. The cases serve as a reminder to dealers of several issues:

1. It is unlawful to pay a commission or compensation *in any form* to a person in connection with a sale of a motor vehicle unless the person is licensed as a salesperson employed by the dealer.
2. Until a new employee has a salesperson's license in his or her possession, the employee may not negotiate the sale of a vehicle or be paid a commission. A new employee awaiting a license may engage in activities that do not involve negotiating with a customer such as showing a particular vehicle and accompanying customers on test drives.
3. If a dealer employs a company to run a short-term "sale" for the dealership and the sale company's employees will be involved in selling vehicles to customers, those employees involved in sales activities must be licensed as salespeople for the dealer.

The MVDB also took the following actions of note:

Dealer Licensing. There have been a number of discussions over the last several months about

the need to license sales managers and finance and insurance officers. As a result of those discussions, a resolution was offered and passed unanimously, to establish a committee to study the authority and processes of the MVDB. The committee will study ways in which the MVDB can improve its



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GRIDLOCK UPDATE:

Mont. County Council Votes 5-3 Against ICC

In a move that enraged Montgomery County Executive Douglas M. Duncan and is sure to be a leading issue in this fall's election, the Montgomery County Council last week unanimously approved a wide-ranging \$5.7 billion transportation program, but voted 5-3 *against* endorsing the Inter-County Connector (ICC) highway, the most vital piece of Duncan's \$1 billion "Go Montgomery!" transportation plan.

The vote against the ICC "signals that they are satisfied with failure," said an angry Duncan. "Well, failure is not acceptable to me, and it's not acceptable to the people of this county.

"Congestion is costing our area \$2.3 billion a year," he added. "If we don't act now, in 10 years we'll be spending 14 hours a day in gridlock, and

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Gridlock

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some on the council – the Congestion Coalition – think that this is acceptable.”

Duncan was sharply critical of two slow-growth council members, Philip Andrews (D-Rockville) and Blair G. Ewing (D-At Large), and he made it clear that the way to gain approval for the ICC is to change the composition of the council in this year’s council elections. He said he would back candidates who support the ICC, and predicted that after the November vote, the majority of the council will support the connector.

In addition to Andrews and Ewing, Nancy Dacek (R-Upcounty), Donell Peterman (D-Silver Spring), and Marilyn Praisner (D-Eastern County) voted against the ICC, citing environmental concerns, its \$1.5 billion cost, and doubts about its effectiveness in alleviating traffic congestion,

Council President Steven A. Silverman (D-At Large), Michael L. Subin (D-At Large) and Howard A. Denis (R-Potomac-Bethesda) voted in support of the connector. Isiah Leggett (D-At Large) recused himself because he owns property in the area where the road would be built.

The 10-year transportation plan approved by the council – *sans* ICC – is “a combination of roads, transit and land-use proposals,” according to The Washington Post. It includes an inner Purple Line, a predominantly above-ground, light-rail Metro line that would connect Bethesda and Silver Spring to Langley Park; the University of Maryland, College Park; and New Carrollton.

An outer Purple Line hybrid, which is being supported by Duncan, would cost \$5.3 billion, more than four times the cost of the inner line.

The Post said the county plan would construct 226 lane miles of roadway, upgrade or build 22 bridges, add 144 new buses, increase bus operations by 50 percent, add six transit centers, construct 11 interchanges, add express bus service, and add HOV lanes on parts of I-270. The council also unanimously approved the "Corridor Cities Transitway," a proposed light-rail line that would run down the I-270 corridor.



VA MVDB

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service to the dealer community and to the public. The resolution calls for further study of such subjects as who should be licensed, what requirements should be met to maintain a license, what changes might be made to the transaction recovery fund processes, and what types of electronic means of meeting may be used to simplify decision making by the MVDB.

Advertising. In reviewing the large number of first advisory letters that have been sent to dealers on Truth in Lending Act issues, the MVDB took the opportunity to remind dealers that advertising the number of months for which a loan is available is a trigger term. This problem has arisen in connection with a large number of no interest and low interest rate loans available as a result of manufacturers’ programs. These rates are sometimes only available for loans of limited duration. If a dealer identifies the month limitation in its advertising, that is a trigger term requiring the full range of TILA disclosures.

Practice tip for dealers: A dealer can avoid triggering TILA disclosures while still giving notice to consumers that the rate may only be available for loans of limited duration by noting in advertisements for no interest financing or low interest financing with a month limitation that the interest rate may vary based upon the length of term of the loan.

NADA MONTHLY DEALER OPERATIONS COMMENTARY

Controllable Expenses in the Used Vehicle Department

How do you know if your used vehicle operation is pulling its own weight? Is the operation contributing to the overall health of your dealership? The following calculation, as well as many others, is offered to dealers in NADA's newest videotape package to help you analyze your used vehicle department.

Controllable Expenses

Purpose: to show three of the main controllable expenses of the Used Vehicle Department compared to average gross profit per used vehicle retail (PUVR). By realizing how high expenses are, it is hoped that this awareness exercise creates an attitude of holding a higher gross PUVR, controlling expenses, and increasing volume. The first line of defense is to increase the volume of retail used vehicle sales. By doing this, the expenses are spread over a greater number of units, automatically reducing expenses PUVR.

| Used Vehicle Departmental Expenses | | Current Month |
|--|---|----------------------|
| Salesperson Compensation* | | _____ |
| Personnel | + | _____ |
| Total Personnel | = | _____ |
| Floor Plan Expense | + | _____ |
| Advertising Expense | + | _____ |
| Total | = | _____ |
| Number of Units Retail | ÷ | _____ |
| Major Expenses PUVR | = | _____ |
| Comparison | | |
| Average Gross Profit Per Used Vehicle (PUVR) | | _____ |

*In most cases, Salesperson Compensation is a variable expense on the financial statement. For this exercise, add it to Personnel.

The above information was excerpted from A Second Look: Profit-Centering the Used Vehicle Department videotape, diskette, and workbook set. You can order the package from the National Automobile Dealers Association (NADA) by calling 800-252-6232, ext. 2 or 703-821-7227. Cost to NADA members is \$189 for the 35-minute videotape, one diskette, and one 36-page study guide, and \$10 for each additional study guide, plus shipping.

Dealer Provision Included in Bankruptcy Bill

After more than five years of Congressional bickering and debate, the House and Senate conferees on the bankruptcy bill finally agreed on a compromise designed to crack down on bankruptcy abuses. The conference report includes a provision initiated and strongly pushed by NADA that would extend the federal period for perfecting a lien from 20 days to 30 days.

"If approved by the House and Senate, the extension of the lien perfection period to 30 days will be a big win for dealers", said Tom Greene, chief operating officer, NADA Legislative Affairs.

NADA sought inclusion of the provision because of an increasing number of calls from dealers indicating that their preference in bankruptcy had been lost because of the 20-day lien perfection rule. Final action on the report will occur in September.

REGULATORY ROUNDUP:**FTC Issues Guidance On Financial Privacy Rule**

The Federal Trade Commission has issued a guide for small businesses entitled "How to Comply with the Privacy of Consumer Financial Information Rule of the Gramm Leach Bliley Act". Dealers were required to be in full compliance with the rule by July 1, 2001. This publication and a December 2001 FTC publication, "Frequently Asked Questions for the Privacy Regulation", are posted on the FTC website (www.ftc.gov). They also may be accessed on NADA's website at www.nada.org; click on Member Services, then Government Affairs, then Regulation and select "Dealer Resources for the Federal Consumer Financial Privacy Regulation."

Tire Pressure Monitoring Systems Will Be Required

A rule recently issued by the National Highway Traffic Safety Administration will require the installation of tire pressure monitoring systems in new motor vehicles with a GVWR of 10,000 pounds or less. The system will notify drivers when a tire or combination of tires become "significantly under inflated." The rule, phased in between model years 2004 and 2007, allows for two types of systems. The first measures the pressure in each tire for under-inflation; the second uses a vehicle's anti-lock brake system to sense tire pressure differences by monitoring the speed of tire revolution. NHTSA adopted NADA's suggestions to require that the warning light remain lit until the tire(s) are serviced and to require that systems work with all tires of the same size recommended by the vehicle manufacturer. To inform consumers about the significance of the illuminated symbol, the rule requires that information be published in the owners manual on the potential consequences of significantly under inflated tires. For more information, visit NADA's website at www.nada.org; click on Member Services, then Government Affairs, then Regulation.

August Launch**"TARGET" Automotive Sales Training Workshop**

Presented by

Jim Moran & Associates Group

WANADA invites dealers, sales managers, and in-house trainers to use kindred-line member Jim Moran & Associates Group's proven training workshops to crank up the performance of your new hires and under-performers. The "TARGET Sales Model" teaches salespeople how to use new processes to sell in the way the customer wants to buy from the "meet-and-greet" through closing and following up.

The first workshop will be held August 12-16, 2002, from 9:00 a.m. to 5:00 p.m. at the Marriott Tysons Corner. For more information, see the flyer enclosed with this WANADA Bulletin, or call Trish Frisbee at WANADA, (202) 237-7200.

Staying Ahead...

*I don't mind what Congress does, as long as they don't do it in the streets
and frighten the horses.*

—Victor Hugo

Enclosure:

TARGET Automotive Sales Training Workshop flyer and FAX-back form